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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 323 July, 1987

Business in Virginia June 1987 Data

Building permits across Virginia fell in June to 35.0 percent below the June 1986 level. That large drop was expected (see the May issue) and continues the substantial monthly declines experienced since March. The cumulative result for the first half of 1987 is building permits 18.8 percent below the same period last year. Not all areas in Virginia are at the same position in the building cycle, so the statistics vary widely among the cities. The overall pattern, however, clearly is an ongoing slowdown in the planned level of construction.

New car registrations also continued to decline in June, down 6.5 percent. This brought the cumulative first half decrease to 7.3 percent, with 16 of our 17 areas experiencing lower sales: only South Hampton Roads (Norfolk-Portsmouth-Virginia Beach area) achieved a first-half gain, and that was a negligible 0.6 percent.

On the positive side, our sample of retail stores reported a 7.5 percent increase in June sales, up from last month's 5.8 percent gain. Since our sample consists mainly of general merchandise stores, these results show a rising level of demand for nondurable goods. A more comprehensive measure of retail sales is the sales subject to Virginia's general sales tax (last column of Tables II and III) as reported by the Department of Taxation, but their data are available only through May. Taxable sales statewide fell 0.6 percent in May, in contrast to the 5.8 percent gain that month by our sample of retail stores. Why such a difference? Taxable sales surged last year in May relative to our sample because of differences in the businesses covered, and those differences now are creating a reverse movement. The taxable sales data include some types of businesses not in our sample such as building supply firms and other construction-related businesses, and tourist-related establishments - hotels, motels, and restaurants. May of 1986 was a booming month for construction-related businesses as well as tourist activity, creating an extraordinary year-over-year jump of 20.4 percent in that month. Therefore a slight decrease of less than one percent still leaves Virginia's May 1987 taxable sales at an extraordinarily high level.

On the other hand, the cumulative January-May gain of 8.5 percent in taxable sales (last column, Table III) overstates the strength in Virginia's retail trade since it includes as 1987 sales some Christmas 1986 activity which was reported late due to the January snowstorms. A 3 percent figure would be closer to the actual 1987 experience. That is exactly the figure we get if we compare only March-May 1987 to the same period in 1986. Nationally, total retail sales excluding the automobile group were up 5.1 percent for March-May 1987 versus March-May 1986, two percentage points above Virginia's taxable sales growth. The retail trade picture in Virginia therefore is mixed: apparent strong demand growth in sales of nondurable goods to residents but with weakness developing in construction-related goods and rather modest overall sales growth. Second half growth in retail trade (taxable sales basis) will be considerably above the 3.0 percent recorded for March-May, but do not plan on gains approaching double digits. The state and national income growth rates and general condition of household finances point to an upper limit of about 7 percent for Virginia taxable sales growth. RLP

Chart I **Nine Selected Business & Economic Indicators Percentage Change**

Percentage Change June, 1987 from June, 1986

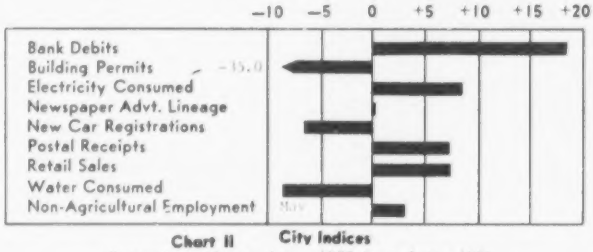
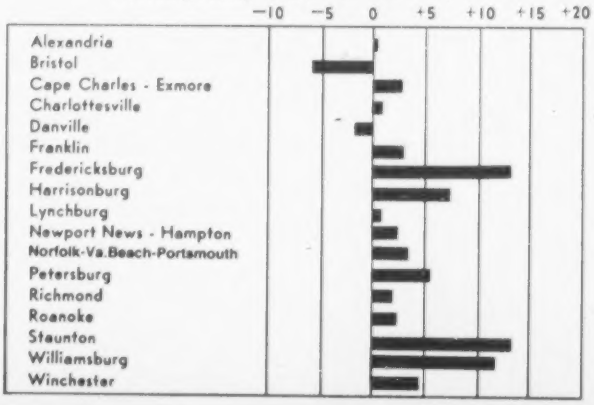


Chart II **City Indices**

Percentage Change June, 1987 from June, 1986



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I June 1987

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1972 = Base Period = 100)

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	May NON AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		456.9	292.7	152.0	100.8	178.4	138.0	99.8	164.0	337.0
Alexandria	153.7	914.1	194.7	172.3	N.A.	146.1	183.6	105.4	158.9	N.A.
Bristol	135.6	N.A.	61.0	91.5	69.8	88.4	113.5	109.6	132.1	351.3
Cape Charles - Exmore	154.8	N.A.	440.0	133.3	N.A.	87.8	N.A.	N.A.	130.4	316.7
Charlottesville	180.0	290.5	422.8	138.3	N.A.	142.8	109.3	128.4	207.6	297.7
Danville	128.1	N.A.	183.8	138.4	119.5	97.2	97.0	90.8	N.A.	235.4
Franklin	141.2	N.A.	453.3	133.2	122.4	136.1	N.A.	113.3	122.9	255.8
Fredericksburg	207.2	292.3	432.1	N.A.	194.8	199.6	N.A.	75.6	257.8	N.A.
Harrisonburg	169.5	269.3	1519.6	N.A.	137.1	122.6	N.A.	143.7	168.5	275.4
Lynchburg	231.6	387.9	307.8	125.7	N.A.	93.4	98.8	110.6	190.4	853.3
Newport News - Hampton	271.4	N.A.	126.2	129.6	1135.4	111.8	138.2]	136.0	171.4	N.A.
Norfolk - Va. Beach - Portsmouth	159.3	549.2	335.7	164.1	93.0	140.7		93.4	215.0	N.A.
Petersburg	141.7	173.1	297.4	N.A.	N.A.	100.5	127.7]	116.8	127.7	264.1
Richmond	162.9	508.3	101.9	168.9	120.6	147.4		111.8	161.1	306.4
Roanoke	143.3	371.9	131.0	105.6	160.3	95.7	123.5	119.4	122.5	317.9
Staunton	166.8	166.8	156.6	N.A.	71.4	96.6	N.A.	N.A.	195.8	245.1
Williamsburg	175.9	341.7	183.0	N.A.	N.A.	176.3	N.A.	105.2	155.1	301.2
Winchester	170.0	392.9	1745.7	133.8	218.2	158.0	N.A.	N.A.	N.A.	N.A.

TABLE II June, 1987

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	May NON AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	May RETAIL SALES ‡
The State		18.2	-35.0	8.6	0.1	-6.5	2.9	-8.7	7.5	-0.6
Alexandria	0.2	64.9	-50.7	11.1	N.A.	-16.7	3.7	11.2	5.8	-4.7
Bristol	-5.7	N.A.	-23.7	-6.1	-9.3	-17.1	4.0	10.8	-6.4	-14.1
Cape Charles - Exmore	2.6	N.A.	84.4	7.7	N.A.	-23.9	N.A.	-26.7	20.2	0.8
Charlottesville	0.8	12.2	32.1	11.4	N.A.	-3.1	2.4	-6.2	1.0	-8.6
Danville	-1.8	N.A.	-28.5	7.1	-1.9	-1.1	0.8	1.1	N.A.	-16.8
Franklin	2.5	N.A.	-58.6	3.1	8.3	-41.1	N.A.	-18.7	-2.5	75.6
Fredericksburg	12.7	72.7	75.4	N.A.	132.3	-2.7	N.A.	-3.1	19.2	5.6
Harrisonburg	7.0	-11.9	143.2	N.A.	5.2	1.1	N.A.	11.3	7.8	8.0
Lynchburg	0.6	-19.4	48.6	6.9	N.A.	-7.2	2.0	-7.7	5.1	-5.2
Newport News - Hampton	2.2	N.A.	-41.3	5.6	8.6	-8.8	2.4]	-13.5	8.1	2.8
Norfolk - Va. Beach - Portsmouth	1.2	30.1	-34.4	7.2	1.5	6.6		-7.6	7.3	-2.8
Petersburg	5.3	-36.7	31.7	N.A.	N.A.	0.9	2.5]	1.1	11.9	-2.8
Richmond	1.7	20.1	-22.9	6.6	-0.8	1.6		-12.7	4.9	3.7
Roanoke	2.1	-15.1	-11.4	0.3	-0.9	-6.3	2.6	-1.8	10.3	-6.1
Staunton	11.3	17.2	478.3	N.A.	-16.4	-21.8	N.A.	N.A.	41.7	-7.2
Williamsburg	11.4	98.1	-68.1	5.2	N.A.	-11.0	N.A.	-11.6	12.2	62.5
Winchester	4.3	5.5	1049.3	6.9	5.5	4.1	N.A.	N.A.	N.A.	0.3

TABLE III

Percentage Change January - June from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	Jan.-May NON AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Jan.-May RETAIL SALES ‡
The State		15.6	-18.8	7.0	2.3	-7.3	3.7	-1.8	3.8	8.5
Alexandria	3.1	68.4	130.6	11.8	N.A.	-6.8	4.5	-1.8	2.5	9.3
Bristol	-1.4	N.A.	-15.6	-1.2	-1.4	-16.8	3.3	16.4	-5.7	4.4
Cape Charles - Exmore	4.1	N.A.	-23.3	7.4	N.A.	-22.9	N.A.	14.2	5.5	13.8
Charlottesville	1.3	22.5	22.9	8.1	N.A.	-12.6	3.7	-2.9	1.3	10.2
Danville	0.2	N.A.	-29.5	6.0	4.2	-16.9	1.0	7.9	N.A.	-1.1
Franklin	4.2	N.A.	-41.8	7.6	4.7	-19.4	N.A.	0.7	-2.6	47.4
Fredericksburg	7.6	60.4	245.4	N.A.	12.9	-5.2	N.A.	2.2	8.4	17.8
Harrisonburg	4.0	-4.0	57.8	N.A.	1.9	-11.6	N.A.	4.2	3.3	17.5
Lynchburg	-0.2	-10.9	32.5	4.8	N.A.	-12.5	1.8	-8.9	1.2	9.9
Newport News - Hampton	1.9	N.A.	-42.0	5.1	7.0	-3.4	2.4]	-6.5	2.1	7.4
Norfolk - Va. Beach - Portsmouth	1.7	40.5	-32.4	4.0	0.7	0.6		1.1	6.4	4.9
Petersburg	1.2	-16.7	-29.3	N.A.	N.A.	-8.5	3.5]	3.3	5.4	7.7
Richmond	2.5	15.7	31.7	5.6	4.6	-3.2		-5.1	1.5	10.7
Roanoke	-0.7	-15.8	16.1	0.7	-1.4	-18.1	2.6	-1.9	5.0	-1.1
Staunton	8.0	9.5	125.4	N.A.	-1.9	-21.2	N.A.	N.A.	20.6	9.5
Williamsburg	4.9	28.0	-65.9	7.9	N.A.	-15.9	N.A.	-2.0	9.4	16.3
Winchester	1.8	7.0	443.2	5.8	N.A.	-16.6	N.A.	N.A.	N.A.	17.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

#Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

→Only total MSA data are available for these areas

N.A. — Not Available
0.0 — No Change

Virginia Income, First Quarter 1987

The U.S. Department of Commerce released on July 20 their state personal income estimates for the first quarter of 1987. That release is the first official report on state earnings and income developments in the year 1987, so a review is worthwhile to see how we fared.

For comparisons we chose to evaluate the growth rate since the comparable period a year ago. Therefore Table IV contains two sets of growth rates for Virginia: the growth rates by category for the period from the first quarter of 1985 (1985:1) through the first quarter of 1986 (1986:1), and the more recent growth rates for the period 1986:1 through 1987:1. These first quarter to first quarter comparisons involve a time of year when activity is low in some Virginia industries, especially agriculture, construction, and tourism, so the comparisons are not necessarily reliable indicators of the likely full year performance of specific industries. The comparisons do, however, give some insights into the general strength and growth of Virginia income. That said, let us turn to the data.

The total personal income of Virginians reached a $92.7 billion annual rate during the first quarter of 1987, a 6.4 percent increase from the revised 1986:1 level. That increase was almost two percentage points better than the national gain of 4.6 percent. Therefore Virginia's income growth quite clearly remains well above average.

Another performance measure is earnings by place of work, showing Virginia's role as a business center. The 1986:1-1987:1 growth rate for Virginia was 8.5 percent, substantially better than the state's resident income growth and displaying an even greater spread relative to the national increase which was only 5.8 percent. Therefore by place of work as well as by place of residence, Virginia's income growth clearly is superior to the national performance.

The Virginia growth rates, however, for total resident income and for total earnings by place of work were lower from 1986:1 through 1987:1 than they were on a first quarter to first quarter basis in the preceding year, 1985:1-1986:1. For personal income, the decline was from a 7.5 percent rate to 6.4 percent, more than a one percentage point slowdown. For earnings by place of work, the deceleration was more modest, from 9.1 percent to 8.5 percent. That more modest deceleration was the result of a large improvement in farm earnings, which are very erratic from quarter to quarter not only because of natural forces but also swings in payments under Federal programs. If instead we use total nonfarm earnings, the 1986:1-1987:1 growth rate of 8.4 percent is 1.1 percentage points below the 9.5 percent rate in the previous year, about the same degree of deceleration that we experienced in the growth of total resident income.

The nonfarm earnings growth rates by industry for the two periods are shown in columns 2 and 3 of Table IV. Column 4 gives the differences in growth rates, obtained by subtracting column 2 from column 3. Therefore a minus sign in column 4 indicates a decline in the growth rate.

Scanning the data shows no private industry sector in Virginia achieved any significant acceleration in earnings growth in the first quarter of 1987. Mining experienced a swing of 4.8 percent points, but that was related to a slower rate of decline, going from an 8.1 percent drop to a 3.2 percent decrease. Only two private sector industries achieved higher earnings growth from 1986:1-1987:1 than from 1985:1-1986:1: construction and the FIRE (finance, insurance and real estate) sector. The acceleration for construction was only 0.4 percent, and that gain is almost certain to disappear when the full year's data are available. The FIRE sector data are more indicative of continuing strength. With first quarter 1986 to first quarter 1987 growth of 17.1 percent, this sector stands out as a growth leader. This strength will be weakened somewhat, but not reversed, by the current slowdown in real estate activity.

In private services, the most recent four-quarter growth rate for earnings was 11.6 percent. Still quite strong, with only a modest deceleration (0.4 percentage points) from the preceding four quarters. On the other hand, retail trade earnings growth fell from 11.8 percent to 6.8 percent, a deceleration of 5 percentage points. This deceleration partly was due to the snowstorms in January and the late Easter this year, so the full year results are likely to show a more modest deceleration. But, still a deceleration. Total income and retail sales growth rates have been slowing and no longer will support double-digit growth in retail trade earnings.

One public sector in Virginia did reveal accelerating growth. The recent increase for military earnings was 6.4 percent, up from 5.0 percent in the preceding year. This sector also is expected to experience decelerating growth in the future.

In sum, total earnings are growing at a very substantial pace statewide, but the growth rate clearly has decelerated. A sector by sector review of the first quarter 1987 income figures for Virginia reveals no significant and sustainable year-over-year acceleration in earnings growth in any major industry sector, private or public. Therefore the data reveal no likely scenerio for moving Virginia's overall growth rate back to a higher level. Manufacturing employment is predicted to grow in the second half of 1987, a possible source of new strength. That, however, cannot be strong enough to offset the very broadly based deceleration in earnings growth being experienced in the Virginia economy. RLP

TABLE IV First Quarter 1987 Virginia Personal Income by Major Source and Earnings by Industry, Millions of Dollars, and First Quarter to First Quarter Percent Change

	$Millions	Percent Change 1985:1-1986:1	Percent Change 1986:1-1987:1	Difference (Column 3 Minus Column 2)
	(1)	(2)	(3)	(4)
Total Personal Income by Place of Residence	$92,749	7.5%	6.4%	-1.1%
Total Earnings by Place of Work	67,299	9.1	8.5	-0.6
Earnings by Industry				
Farm	117	-80.9	143.8	224.6
Nonfarm	67,183	9.5	8.4	-1.1
Private	50,137	10.2	9.0	-1.2
Ag. Services, Forestry and Fisheries	257	15.4	14.2	-1.2
Mining	783	-8.1	-3.2	4.9
Construction	5,319	17.0	17.4	0.4
Manufacturing	10,794	5.8	3.3	-2.5
Nondurable Goods	5,400	6.3	4.0	-2.3
Durable Goods	5,394	5.4	2.6	-2.8
Transportation	4,337	8.6	6.4	-2.2
Wholesale Trade	3,551	8.3	8.0	-0.2
Retail Trade	6,390	11.8	6.8	-5.0
Finance, Insurance, and Real Estate	3,639	16.5	17.1	0.6
Services	14,567	12.0	11.6	-0.4
Government	17,046	7.4	6.6	-0.8
Federal, Civilian	5,447	3.3	3.2	-0.2
Military	4,563	5.0	6.4	1.5
State and Local	7,036	12.8	9.6	-3.2

Source: Regional Economic Information System
Bureau of Economic Analysis, July 1987.

The Virginia Business Report is published monthly except in December by the Bureau of Business Research. The publication is provided free of charge as a public service. For information call the Bureau at (804) 253-4493.

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 324 **August, 1987**

Business in Virginia July, 1987 Data

Last month we advised not to expect second-half retail sales growth to approach the double-digit range, that a more realistic expectation would be a growth rate no higher than 7 percent. Since then the Virginia Department of Taxation data showed there was a 13.0 percent rise in the June 1987 taxable sales compared to June 1986. That June surge in sales was a surprise but does not change our outlook for the coming months. Personal income in Virginia currently is growing at about 6.5 pecent. Virginians cannot and will not increase their retail purchases at twice that rate for very long. Look for them to revert to expenditure increases more in line with their income growth.

The July reports from our own sample of retail stores indicate slower growth than in June. The July statewide gain for our sample was 5.1 percent, down substantially from the 7.5 percent experienced in June. Taxable sales most likely has followed a similar course of more modest July growth.

Overall, however, the most recent Virginia data available are very good news. For the first time in 1987, all nine of the statewide percentage changes from the same month last year reported in Table II are positive. In particular, new car registrations managed a 0.2 percent rise in July after falling for five of the preceding six months. Year-over-year declines are not over - the 1986 levels in August, September, and December are most unlikely to be surpassed. The July results do indicate, however, that new car demand in Virginia is moving past the dampening effect of last year's surge in buying to a more normal level of demand.

Similarly, building permits statewide rose 10.3 percent in July, the first monthly increase since March. That still leaves the cumulative January-July dollar volume of permits 14.9 percent below the same period in 1986, so the current picture still is one of declining construction activity. But, the July increase supports our earlier prediction that Virginia construction activity in 1987 will not collapse, it merely will move to a more normal level below the 1986 peak. Zero or modestly positive increases in building permits in either August or September will add further confirmation of our outlook. As with new car sales, however, we do expect the monthly percentage changes for building permits will be negative periodically during the remaining months of the year as well as for the year as a whole.

The June nonagricultural employment figures showed a 2.7 percent year-over-year gain, continuing the pattern of decelerating growth. However, the June data also revealed an increase of 2,000 in manufacturing employment compared to June 1986, an encouraging sign that the anticipated upturn in Virginia's manufacturing employment has begun. Manufacturing job gains were realized in four of the state's eight metropolitan statistical areas: Richmond-Petersburg, Lynchburg, Danville, and Bristol. Therefore the upturn was fairly broadly based geographically, another encouraging sign. RLP

Chart I **Nine Selected Business & Economic Indicators Percentage Change**

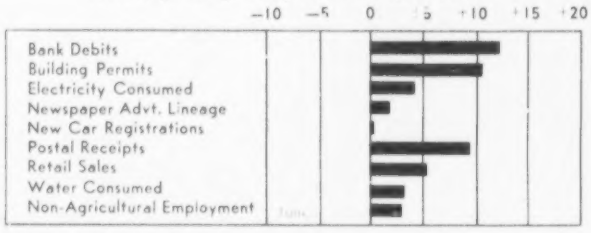
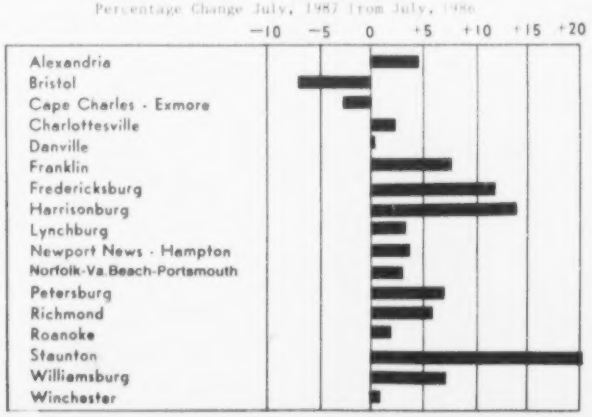


Chart II **City Indices**



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I July, 1987

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	June NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		228.6	203.0	171.5	105.2	349.0	311.6	115.6	176.9	137.7
Alexandria	155.6	488.7	133.8	197.5	N.A.	176.4	182.9	113.4	139.9	N.A.
Bristol	150.8	N.A.	191.4	96.9	72.1	124.4	117.3	103.3	127.5	460.8
Cape Charles - Exmore	118.6	N.A.	378.5	101.9	N.A.	102.4	N.A.	N.A.	129.5	N.A.
Charlottesville	196.8	150.0	102.4	155.8	N.A.	138.8	109.9	149.1	233.6	320.0
Danville	145.3	N.A.	88.2	139.5	N.A.	109.1	100.3	92.0	N.A.	285.6
Franklin	161.2	N.A.	176.4	152.6	103.6	126.2	N.A.	128.5	150.6	327.2
Fredericksburg	263.5	815.9	480.0	N.A.	177.3	257.0	N.A.	105.4	216.9	654.0
Harrisonburg	124.8	285.4	578.8	N.A.	126.8	116.1	N.A.	156.6	168.1	306.2
Lynchburg	223.8	378.8	241.2	131.7	N.A.	120.7	99.9	142.6	192.7	717.1
Newport News - Hampton	142.9	N.A.	174.8	155.0	90.8	110.9	136.6]	146.1	167.9	N.A.
Norfolk - Portsmouth	170.3	536.9	268.7	187.9	95.3	134.3		106.9	233.8	N.A.
Petersburg	112.3	151.3	81.4	N.A.	32.7	91.6	121.8]	123.2	139.0	N.A.
Richmond	171.2	479.9	N.A.	188.4	112.8	168.1		141.2	157.1	337.0
Roanoke	191.3	375.2	81.2	116.9	167.2	98.3	121.6	N.A.	169.4	518.5
Staunton	136.8	168.4	181.7	N.A.	N.A.	114.4	N.A.	N.A.	144.2	N.A.
Williamsburg	184.2	183.0	139.8	202.3	N.A.	197.3	N.A.	130.5	136.4	349.8
Winchester	170.3	388.7	425.7	145.9	203.0	162.1	N.A.	N.A.	N.A.	N.A.

TABLE II July, 1987

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	June NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	June RETAIL SALES ‡
The State		12.6	10.3	4.2	1.7	0.2	2.7	3.1	5.1	13.0
Alexandria	4.5	39.5	-2.2	8.3	N.A.	9.3	4.0	4.7	-2.9	18.7
Bristol	-7.4	N.A.	481.9	-0.2	-11.5	-6.0	3.6	-21.8	-10.9	2.1
Cape Charles - Exmore	-2.6	N.A.	7.4	-32.5	N.A.	-9.4	N.A.	-12.8	8.2	12.2
Charlottesville	1.7	-46.4	-58.1	5.2	N.A.	-14.4	0.3	6.2	0.9	13.4
Danville	0.2	N.A.	-34.5	1.5	10.1	-9.8	1.0	-9.5	N.A.	7.6
Franklin	7.5	N.A.	123.0	7.7	9.9	-55.5	N.A.	10.9	27.4	4.7
Fredericksburg	11.5	12.6	-7.3	N.A.	16.4	15.4	N.A.	36.7	3.7	0.6
Harrisonburg	14.0	-3.4	-42.0	N.A.	6.4	-12.6	N.A.	22.8	21.7	16.1
Lynchburg	2.9	-14.4	34.6	6.0	N.A.	-2.3	2.1	1.5	5.6	-1.1
Newport News - Hampton	3.2	N.A.	35.7	3.1	8.2	-16.0	2.7]	-0.7	6.7	11.8
Norfolk - Va. Beach - Portsmouth	2.5	4.0	5.2	2.6	0.4	-3.5		3.3	4.5	3.9
Petersburg	7.1	0.0	-81.8	N.A.	4.8	-10.5	2.4]	7.4	14.0	10.4
Richmond	5.8	22.2	123.0	3.6	3.6	0.6		8.5	6.2	15.3
Roanoke	1.4	-17.0	-26.0	-0.8	2.9	-19.2	4.2	N.A.	5.3	6.5
Staunton	20.4	16.8	-57.8	N.A.	N.A.	0.0	N.A.	N.A.	32.4	4.7
Williamsburg	7.1	-3.9	-67.4	-0.1	N.A.	15.3	N.A.	-7.8	12.2	5.4
Winchester	0.4	29.7	205.4	9.3	4.5	-14.1	N.A.	N.A.	N.A.	1.8

TABLE III

Percentage Change January - July from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	Jan.-June NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Jan.-June RETAIL SALES ‡
The State		15.2	-14.9	6.6	2.7	-6.0	3.5	-1.0	4.0	9.2
Alexandria	3.4	47.0	183.7	11.2	N.A.	-4.1	4.5	-0.7	1.8	10.8
Bristol	-2.4	N.A.	14.2	-1.1	-2.9	-14.8	3.5	8.8	-6.4	4.0
Cape Charles - Exmore	3.0	N.A.	-19.0	0.7	N.A.	-20.7	N.A.	9.8	5.8	13.5
Charlottesville	1.4	11.0	10.5	7.4	N.A.	-12.9	3.1	-1.4	1.3	10.7
Danville	0.2	N.A.	-30.1	5.2	5.1	-15.6	1.0	5.1	N.A.	0.1
Franklin	4.0	N.A.	-35.7	7.6	5.3	-28.4	N.A.	1.3	1.6	41.6
Fredericksburg	8.3	47.7	159.7	N.A.	13.4	-1.8	N.A.	8.1	7.7	15.1
Harrisonburg	4.2	-3.9	32.0	N.A.	2.5	-11.8	N.A.	6.0	5.2	17.3
Lynchburg	2.1	-11.3	32.8	5.0	N.A.	-10.9	1.9	7.3	1.8	8.3
Newport News - Hampton	2.1	N.A.	-36.5	3.9	7.2	-5.6	2.5]	-5.5	2.8	8.1
Norfolk - Va. Beach - Portsmouth	3.4	30.4	-28.3	3.7	0.7	-0.4		1.5	6.1	4.7
Petersburg	3.8	-15.2	-39.5	N.A.	N.A.	-8.9	3.3]	4.0	6.6	8.1
Richmond	3.0	16.7	29.9	6.9	4.5	-2.5		-2.8	2.1	11.4
Roanoke	-0.3	-16.0	7.0	0.5	-2.5	-18.3	2.9	N.A.	5.1	0.0
Staunton	11.3	10.6	32.7	N.A.	N.A.	-17.9	N.A.	N.A.	21.9	8.7
Williamsburg	5.1	22.4	-66.2	6.6	N.A.	-11.1	N.A.	-3.2	9.8	14.1
Winchester	1.3	10.5	401.5	5.4	N.A.	-16.2	N.A.	N.A.	N.A.	14.8

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

#Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

]Only total MSA data are available for these areas

N.A. — Not Available
0.0 — No Change

Virginia Travel, 1986

The U.S. Travel Data Center and the Virginia Division of Tourism annually prepare an economic analysis of travel in Virginia during the preceding year, showing the total travel expenditures and the payroll, jobs and tax receipts directly generated by travel in the Commonwealth and in each city and county. "Travel in Virginia, 1986" now is available, so this month's commentary we will review a few of the highlights and add some observations of our own.

Total travel expenditures in Virginia were an estimated $6,102 million in 1986, directly generating $1,372 million in wages and salaries for 137,807 workers. That is big business. The Virginia travel industry also was a growth star in 1986. Total travel expenditures jumped 15.0 percent compared to 1985, far above the growth in general retail sales. Travel employment increased by 9.9 percent from 1985 to 1986, more than twice the overall state growth of 4.2 percent. Similarly, the travel-generated payroll of $1,372 million was 17.3 percent higher than the 1985 level, compared to an 8.9 percent gain in total Virginia wages and salaries, almost a 2 to 1 ratio.

We calculated the percentage changes in travel expenditures for each city and county, the groups of localities in the Commonwealth's eight metropolitan statistical areas (MSAs), plus the groupings for the 20 Labor Market Areas (LMAs) which are non-MSA market area designations defined by the Virginia Employment Commission (listed in their monthly publication, "Labor Force Estimates"). The growth rates reveal a clear pattern when the localities are grouped by interstate corridors.

Table IV shows the growth rates for the MSAs, LMAs, and independent counties along three corridors: Interstate 95, north to south from the Northern Virginia MSA through the Emporia LMA; Interstate 81, from the Winchester LMA down the Shenandoah Valley into the Virginia highlands, ending with the Bristol MSA; and the Interstate 64 corridor, west to east from the Covington LMA to the Norfolk-Virginia Beach-Newport News MSA but excluding the areas already included as part of the other two corridors.

The I-95 corridor clearly was the focal point of Virginia's travel growth in 1986. The average growth rate in travel expenditures along this corridor was 23.4 percent, and the only segment under 20 percent was the Richmond-Petersburg MSA at 16.0 percent.

The second focus for Virginia tourism growth was the I-81 corridor. Here the average travel increase was 13.1 percent. The northern anchor, the Winchester LMA, had outstanding growth of 35.1 percent, matched by the Bristol MSA's 35.2 percent at the southern end. Growth generally was higher in the northern portion then lower through the Lexington, Roanoke, and Radford areas.

The remaining areas of the state averaged 1985-1986 travel growth of only 7.7 percent, well below the average statewide growth rate of 15 percent. Therefore the patterns show a clear dominance of 1986 travel growth by the I-95 and I-81 corridors.

Interstate 64 is the major east-west artery across the Commonwealth. From east to west, the I-64 corridor not contained in the I-95 or I-81 corridors begins with the Atlantic Ocean beaches in Virginia Beach and continues through Williamsburg, all within the Norfolk-Virginia Beach-Newport News MSA; after skipping over Richmond, proceeds through Louisa County and the historic areas in the Charlottesville MSA to the Blue Ridge Mountains in Nelson County; then skips the I-81 corridor to the Covington LMA and the West Virginia border. Tourism growth along this I-64 corridor generally was well below the state average. As shown in Table IV the corridor average gain was 6.9 percent, ranging from the 7.4 percent in the Norfolk-Virginia Beach-Newport News MSA to 0.9 percent in the Charlottesville MSA and a decline of 1.8 percent in the Covington LMA.

The Corridor analysis shows where the travel and tourism growth occurred. That analysis plus a review by individual city and county offers some insights

TABLE IV TRAVEL EXPENDITURES IN VIRGINIA

	1986 Travel Expenditures ($000)	Percent Change 1985-1986
Interstate 95 Corridor		
Northern Virginia MSA	$1,682,127	26.7%
Fredericksburg LMA	82,560	28.4
Caroline County	17,273	32.4
Richmond-Petersburg MSA	475,990	16.0
Sussex County	1,929	32.0
Emporia LMA	18,212	20.8
Total, I-95 Corridor	$2,259,846	23.4%
Interstate 64 Corridor, Not Elsewhere Included		
Covington LMA	$ 12,475	-1.8%
Nelson County	44,308	7.0
Charlottesville MSA	84,323	0.9
Louisa County	4,577	6.8
Norfolk-Virginia Beach Newport News MSA	1,357,459	7.4
Total, Rest of I-64 Corridor	$1,503,162	6.9%
Interstate 81 Corridor		
Winchester LMA	$ 39,137	35.1%
Shenandoah County	42,129	15.7
Warren County	18,843	8.4
Page County	22,601	-4.1
Harrisonburg LMA	56,823	17.9
Staunton-Waynesboro LMA	54,318	17.6
Buena Vista LMA	28,316	5.2
Roanoke MSA	188,572	7.7
Radford LMA	56,827	6.6
Wythe County	31,385	22.9
Smyth County	11,578	-1.7
Bristol MSA	45,510	35.2
Total, I-81 Corridor	$596,039	13.1%
Virginia, Grand Total	$6,102,020	15.0%

into the nature of the travel industry growth. All market segments of Virginia's travel industry appear to have grown substantially: out-of-state tourists, business travel, within-state resident travel, and Virginians to out-of-state destinations. However business travel expenditures, particularly in Northern Virginia and the Richmond-Petersburg MSAs, seem to have increased much more rapidly than tourist travel spending. For example, compare the growth rates in business transit areas such as Loudoun County, +52.5 percent, and Richmond, +30.2 percent, with the rates for more tourist oriented areas such as the Williamsburg-James City County-York County historic triangle, +11.1 percent, Albermarle County, +7.1 percent, the City of Virginia Beach, +6.7 percent, and Bath County, +1.9 percent.

Among tourist travel segments, within-state resident travel expenditures displayed the lowest growth. One reason was the spending on travel services by Virginians to out-of-state destinations rose quite strongly, by 14.7 percent. Virginia personal income per capita has risen dramatically in recent years, rising from 96 percent of the national average in 1979 to 105 percent in 1986, reaching a level of $15,408 per person. That higher income has broadened Virginian's travel options, evidently producing more rapid growth in their out-of-state travel than in-state.

In sum, all types of Virginia travel grew substantially in 1986, but there were some significant differences among market groups. The business traveler currently seems to be assuming an increasing importance; but, that can be a highly cyclical market. The Commonwealth has continued to increase its share of the total U.S. travel market, competing effectively with other states. We are facing, however, increasing competition from other states for the pleasure traveler, not only for non-Virginians but especially for our own increasingly prosperous Virginians. RLP

To the Readers of the *Virginia Business Report* and Friends of Dr. Roy Pearson:

We at the School of Business Administration thought you would like to receive the notice that Roy has been named a Chancellor Professor by Chancellor Warren Burger and the William and Mary Board of Visitors.

John C. Jamison
Dean

The
School of Business Administration
of
The College of William and Mary in Virginia

is pleased to announce
that

Dr. Roy L. Pearson

has been named

Chancellor Professor
of
Business Administration

Williamsburg, Virginia
August 15, 1987

The Virginia Business Report is published monthly except in December by the Bureau of Business Research. The publication is provided free of charge as a public service. For information call the Bureau at (804) 253-4493.

Roy L. Pearson, Director, Bureau of Business Research
John C. Jamison, Dean, School of Business Administration

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 325 **September, 1987**

Business in Virginia August, 1987 Data

New car registrations in Virginia plunged in August compared to August of 1986, a drop of 16.0%. Decreases were recorded in 15 of the 17 urban areas we cover. The only exceptions were Winchester, unchanged, and Staunton, up 3.8%. New car buying this August, as expected, was well below the astronomically high levels of 1986. The same almost certainly will be true for September — look for another decline of 8 to 10%.

Building permits statewide rose in August, up 7.5% compared to a year ago. As we explained last month, "zero or modestly positive increases in building permits in either August or September will add further confirmation of our outlook" that Virginia construction activity is not collapsing, it merely is moving to a more normal level below the 1986 peak. The cumulative change in building permits, January — August, now stands 12.4% below the level for the same period last year, a rather modest decline for such a volatile, cyclical industry. Further declines can be expected, however, during the fourth quarter.

The full impact of the drop in permits has not yet been felt. Construction employment growth in Virginia has decelerated, but in July still was 3.1 percent above last July. Look for construction as well as related industries to show the effects of less building activity in the coming quarters.

Both electricity consumed and water consumed showed stronger gains in August, statewide as well as in several metropolitan areas. That tandem move, coupled with June and July's solid increases in manufacturing employment, is a sign that Virginia's manufacturing activity is continuing to rebound. Further manufacturing job gains, especially in nondurable goods industries, should be realized in the coming months.

The area for some concern is retail trade (other than automobiles). Our sample of retail stores reported decelerating growth in July and now a decline in August. The back-to-school buying season was delayed somewhat by the late Labor Day, so September should reveal a return to year-over-year gains. Virginians, however, are overdue in moving to lower growth in their retail spending. Total taxable sales have been growing recently at almost twice the growth rate for residents' income. We expect to see more modest growth in total taxable sales in the coming months.

August did not produce strong, across-the-board growth in Virginia or most of its urban areas. Staunton was the only clear star, with strong increases in retail sales, building permits, total spending (bank debits) and even a gain in new car sales. Winchester experienced more modest but broadly based growth, keeping the growth spotlight on Shenandoah Valley communities.

RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change August, 1987 from August, 1986

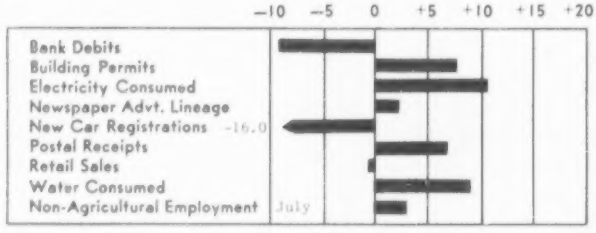

Chart II

City Indices

Percentage Change August, 1987 from August, 1986